

September 17, 2004

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments/Legal ESS
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, DC 20429



RE: RIN 3064-AC50

Dear Mr. Feldman:

The South Carolina Association of Community Development Corporations, a trade association comprised of 45 community development corporations throughout South Carolina, urges you to withdraw your proposed changes to the Community Reinvestment Act (CRA) regulations. The CRA has been instrumental in increasing homeownership, boosting economic development, and expanding small businesses in the nation's minority, immigrant, and low to moderate-income communities. Your proposed changes are contrary to the CRA statute and Congress' intent because they will slow down, if not halt, the progress made in community reinvestment.

Under the current CRA regulations, banks with assets of at least \$250 million are rated by performance evaluations that scrutinize their level of lending, investing, and service to low to moderate-income communities. The proposed changes will eliminate the investment and service aspects of the CRA exam for state-chartered banks with assets between \$250 million and \$1 billion. In place of these parts, the FDIC proposes to add a community development criterion.

The proposed community development guideline would be seriously deficient as a replacement for the investment and service tests. Mid-size banks with assets between \$250 million and \$1 billion would only have to engage in one of three activities: community development lending, investing, or service provision. Currently, mid-size banks must engage in *all* three activities. Under your proposal, a mid-size bank would be able to choose a community development activity that is easiest for the bank instead of providing comprehensive community development services as needed by low and moderate-income communities.

The proposed community development criterion will result in significantly fewer loans and investments in affordable rental housing, Low-Income Housing Tax Credits, community service facilities such as health clinics, and economic development projects. It will be too easy for a mid-size bank to comply with the proposed community development criterion while the actual services they provide may be inadequate. For example, under this proposal a mid-size bank could provide a few grants or sponsor a few homeownership fairs and be well within the compliance parameters. Thus, the new guidelines act as a disincentive to banks' engagement in a comprehensive effort to provide

community development loans, investments, and services to target communities.

The elimination of the service test will also have harmful consequences for low and moderate-income communities. CRA examiners will no longer expect mid-size banks to maintain and/or build bank branches in such communities. Mid-size banks will no longer make sustained efforts to provide affordable banking services, and checking and savings accounts to consumers with modest incomes. Furthermore, mid-size banks may not respond to the growing demand for services needed by immigrants such as low-cost remittances overseas.

The elimination of the small business lending data reporting requirement for mid-size banks is another destructive aspect of your plan. Mid-size banks with assets between \$250 million and \$1 billion will no longer be required to report small business lending by census tracts or revenue-size of the borrowers. Without data on lending to small businesses, it is impossible for low-income and rural citizens to hold the mid-size banks accountable for responding to the credit needs of minority-owned, female-owned, and other small businesses. Data disclosure has been responsible for increasing access to credit precisely because disclosure holds banks accountable. Your proposal will decrease access to credit for small businesses. This is contrary to the CRA's goals.

South Carolina is largely rural, with mid-size and smaller community banks dominating our state's communities. The implementation of this ruling will make it easier for the majority of our state's banks to meet the minimum criteria to be in compliance for the Community Reinvestment Act. In specific, if the FDIC increases the asset threshold, 19 South Carolina banks would no longer be subject to a full CRA examination. This means that only 7 banks in SC would be subject to a comprehensive CRA exam while 90 (93%) would not. Of equal concern, 15 of the 19 banks that would no longer be subject to the full CRA examination are located in rural, distressed communities.

Finally, you propose that community development activities in rural areas can benefit any group of individuals, rather than low and moderate income individuals in specific. Since banks will be able to focus on affluent residents of rural areas, your proposal threatens to divert community development activities away from the low and moderate-income communities and consumers that the CRA targets. Your proposal for rural America merely exacerbates the harm of your proposed streamlined exam for mid-size banks, which will result in much less community development activity. In rural America, that reduced activity can now earn CRA points if it benefits affluent consumers and communities.

CRA has played a major role in advancing community economic development and increasing access to capital for low to moderate-income citizens. Your proposal will dramatically reduce community development lending, investing, and services. Your plan compounds

this damage in rural areas, which are least able to afford reductions in credit and capital. You also eliminate critical data on small business lending. These results and those mentioned above led two other regulatory agencies, the Federal Reserve Board and the Office of the Comptroller of Currency, to embark upon a different path than the one you have chosen because they recognized the harm it would cause. We ask that you withdraw your proposed changes.

Feel free to call me if you have any questions

Sincerely,



Bernie Mazyck
President & Chief Executive Officer
South Carolina Association of Community
Development Corporations

cc:

President George W. Bush
Senator John Kerry
Senator Ernest Hollings
Senator Lindsey Graham
Rep. James Clyburn
Rep. Henry Brown
Rep. Joe Wilson
Rep. John Spratt